



**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Issued by the Department of Transportation
on the 3rd day of April, 2000

Essential Air Service at

**MASSENA, NEW YORK
OGDENSBURG, NEW YORK
WATERTOWN, NEW YORK**

under 49 U.S.C. 41731 *et seq.*

Served: April 5, 2000

Docket OST-97-2842 - 3

**ORDER TENTATIVELY SELECTING CARRIER
AND SETTING SUBSIDY RATE**

Summary

By this order, the Department is tentatively reselecting Mesa Airlines, Inc. (Mesa), to provide essential air service at the Upstate New York communities of Massena, Ogdensburg and Watertown, for the two-year period ending September 30, 2001, at an annual subsidy of \$1,115,507.

Background

By Order 97-9-14, issued September 12, 1997, Mesa was selected to continue providing essential air service at Massena, Ogdensburg and Watertown, for an additional two-year period from October 1, 1997, through September 30, 1999. Subsidy was set at an annual rate of \$799,114 for Mesa's provision of three round trips each weekday, and three each weekend, between Massena, Ogdensburg and Watertown, and Pittsburgh, with 19-seat Beech 1900 aircraft.¹

Mesa's two-year contract expired on September 30, 1999, and, in accordance with our normal procedures, we invited Mesa to submit a proposal to continue providing essential air service at these communities for another two-year period, either with or without subsidy. In response to this request, Mesa submitted a proposal for continued service.

¹ Mesa has been providing essential air service at Massena, Ogdensburg and Watertown since May 1994, when it replaced Chataqua Airlines. (See Department Order 94-4-5, issued April 4, 1994.)

The State of New York originally requested in October that the Department defer action on this selection case pending the completion of a State-sponsored study into the air service needs of these three Upstate New York communities. (Oneonta is also included in the study.) The State was concerned because enplanements had declined at all three communities since the hub destination was changed from Syracuse to Pittsburgh in June 1995, and many travelers were driving to Syracuse, Ottawa or Montreal for their air service needs. The air service study has been completed just recently, and the State now supports our putting the routes out for bid.

Carrier Proposal

Mesa submitted a proposal to continue its current and historical service at Massena, Ogdensburg and Watertown for a new two-year rate term, all provided with 19-seat Beech 1900 aircraft. The carrier proposes to provide Watertown with three nonstop round trips each weekday and over each weekend period to Pittsburgh. For Massena and Ogdensburg, the carrier proposes to provide three round trips each weekday and over each weekend period to Pittsburgh. Of the six segments for each community, up to three may be two-stop, and the remaining three segments must be one-stop or nonstop. Mesa has agreed to an annual subsidy of \$1,115,507 for this service.



Tentative Reselection

Mesa continues to provide these communities with reliable essential air service and the amount of subsidy that the carrier is requesting for this service appears reasonable. In view of the above, we will tentatively reselect Mesa to provide essential air service at Massena, Ogdensburg and Watertown, at the service levels noted above, for an additional two-year period beginning October 1, 1999, and ending September 30, 2001. As set forth in Appendix B, service is to be provided with 19-seat Beech 1900 aircraft at an annual subsidy of \$1,115,507.

Responses to Tentative Decision and Competing Proposals

We will give interested persons 20 days from the date of service of this order to show cause why we should not make final our tentative decision to reselect Mesa to provide essential air service at Massena, Ogdensburg and Watertown, New York, at the service and subsidy levels discussed above. We expect persons objecting to our tentative decision to support their objections with relevant and material facts. We will not entertain general, vague or unsupported objections.

Carriers interested in filing competing proposals, with or without subsidy requests, should file them within the 20-day period set for objections. At the end of that period, our staff will docket any competing proposals, thereby making them public, and direct each applicant to serve a copy of its proposal on the civic parties and other applicants. If competing proposals are filed, each applicant, including the incumbent,

will then have an opportunity to finalize its proposal in rate discussions with Department staff before we seek final community comments. We will give full consideration to all proposals that are timely filed.

At the urging of the State, on behalf of the communities, we will request proposals for service to either Syracuse or Pittsburgh, or any other appropriate hub destination such as, but not limited to, New York City, Newark or Boston. Proposed service levels should consist of at least three round trips per service day to the hub with 15-seat or larger, pressurized aircraft. In order to help carriers in their passenger forecast, we have included historical traffic data in Appendix A. In addition, the State of New York and the communities would be happy to share the results of the air service study with any potential applicants.

Procedures for Filing Replacement Proposals

For interested carriers unfamiliar with our procedures and recommended form for supplying the necessary information, we have prepared two explanatory documents that we will make available upon request. The first describes the process for handling carrier replacement cases under 49 U.S.C. 41734(f), and discusses in detail the process of requesting proposals, conducting reviews of applicants, and selecting a replacement carrier. The second is an evidence request containing an explanatory statement, a copy of Part 204 of our regulations (14 CFR 204), and schedules setting forth our recommended form for submitting data required for calculating compensation and determining the financial and operational ability of applicants to provide reliable essential air service. (Section 204.4 describes the fitness information required of all applicants for authority to provide essential air service.) Applicant carriers that have already submitted this information in another case need only resubmit it if a substantial change has occurred. However, if there are more recent data or if there have been any changes to the information on file, carriers should provide updates of those information elements. Interested carriers that need to obtain copies of these documents may contact the Office of Aviation Analysis at (202) 366-1053.

Other Carrier Requirements

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.² Consequently, all carriers receiving Federal subsidy to support essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and

² The regulations applicable to each of these three areas are (1) 49 CFR Part 20, New Restrictions of Lobbying, implementing title 31, United States Code, section 1352, entitled "Limitation on use of appropriated funds to influence certain Federal contracting and financial transactions"; (2) 49 CFR Part 29, Subpart F, Drug-Free Workplace Requirements (Grants), implementing the Drug-Free Workplace Act of 1988; and (3) 49 CFR Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation -- Effectuation of Title VI of the Civil Rights Act of 1964; 49 CFR Part 27, Nondiscrimination on the Basis of Handicap in Programs and Activities Receiving or Benefiting from Federal Financial Assistance; and 14 CFR Part 382, Nondiscrimination on the Basis of Handicap in Air Travel.

nondiscrimination, and those carriers whose subsidies exceed \$100,000 over the life of the rate term must also certify that they are in compliance with the regulations governing lobbying activities. All carriers that plan to submit proposals involving subsidy should submit the required certifications along with their proposals. Interested carriers requiring more detailed information regarding these requirements as well as copies of the certifications should contact the Office of Aviation Analysis at (202) 366-1053. The Department is prohibited from paying subsidy to carriers that do not submit these documents.

Community and State Comments

If we receive competing proposals, the communities and state are welcome to submit comments on the proposals at any time. Early in the proceeding, comments on the proposals' strengths and weaknesses would be particularly helpful, and the civic parties may also express a preference for a particular carrier, if they choose. In any event, after conducting rate conferences with all applicants, we will provide a summary of the conference results to the civic parties and ask them to file their final comments.³

Carrier Fitness

49 U.S.C. 41737(b) and 41738 require that we find an air carrier fit, willing and able to provide reliable service before we may compensate it for essential air service. We last found Mesa fit to provide scheduled passenger service as a certificated air carrier by Order 99-9-17, when we selected it to provide essential air service at Kingman and Prescott, Arizona, and Alamogordo/Holloman AFB, Clovis and Silver City/Hurley/Deming, New Mexico. The Department has routinely monitored the carrier's continuing fitness. No information has come to our attention that would lead us to conclude that Mesa does not continue to be fit. The Federal Aviation Administration states that it knows of no reason to question Mesa's fitness. We therefore conclude that the carrier remains fit to conduct the operations proposed here.

This order is issued under authority delegated in 49 CFR 1.56a(f).

ACCORDINGLY,

1. The Department tentatively reselects Mesa Airlines, Inc., to provide essential air service at Massena, Ogdensburg and Watertown, New York, as described in Appendix B, for the period beginning October 1, 1999, through September 30, 2001;
2. The Department tentatively sets the final rate of compensation for Mesa Airlines, Inc., for the provision of essential air service Massena, Ogdensburg and Watertown, New York, as described in Appendix B, for the period set forth in ordering paragraph

³ In cases where a carrier proposes to provide essential air service without subsidy and we determine that service can be reliably provided without such compensation, we do not normally hold rate conferences. Instead, we rely on the carrier's subsidy-free service as proposed.

(1), payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling set forth in Appendix B, and shall be determined by multiplying the subsidy-eligible arrivals and departures performed during the month by \$202.05;⁴

3. We direct Mesa Airlines, Inc., to retain all books, records, and other source and summary documentation to support claims for payment, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;

4. We find that Mesa Airlines, Inc., continues to be fit, willing and able to operate as a certificated air carrier and capable of providing reliable essential air service at Massena, Ogdensburg and Watertown, New York;

5. We direct Mesa Airlines, Inc., and any other interested persons having objections to the selection of Mesa to provide essential air service as described in ordering paragraph 1 above, at the rate set forth in ordering paragraph 2 above, to file such objections or competing service proposals no later than 20 days from the date of service of this order;⁵

6. If we receive objections or competing proposals within the 20-day period, Mesa Airlines, Inc., will be compensated at the subsidy rate set forth in ordering paragraph 2 above as a final rate, effective October 1, 1999, until all objections are resolved;

7. We will afford full consideration to the matters and issues raised in any timely and properly filed objections and service proposals before we take further action.⁶ If no objections or competing service proposals are filed, all further procedural steps will be deemed waived and this order shall become effective on the twenty-first day after its service date;

8. Docket OST 98-2842 shall remain open until further order of the Department; and

⁴ See Appendix C for the calculation of this rate, which assumes the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of this rate may be required.

⁵ Objections should be filed with the Documentary Services Division, SVC-121.30, Room PL401, Department of Transportation, 400 7th Street, S.W., Washington, DC 20590. Proposals to provide essential air service should be filed with the Chief, EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6401, Department of Transportation, at the same address. Questions regarding filings in response to this order may be directed to John McCamant at (202) 366-1060.

⁶ Since we are providing for the filing of objections to this order, we will not entertain petitions for reconsideration.

9. We will serve a copy of this order on the mayors and airport managers of Massena, Ogdensburg and Watertown, New York, the Governor of New York, Ogdensburg Bridge and Port authority, the New York State Department of Transportation, Mesa Airlines, and the carriers listed in Appendix D.

By:

A. BRADLEY MIMS

Deputy Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available on the World Wide Web at
<http://dms.dot.gov/>*

The electronic version may not include all of the appendices.

Appendix A

**HISTORICAL ENPLANEMENTS
MASSENA, OGDENSBURG,
AND WATERTOWN, NEW YORK**

	MASSENA	OGDENSBURG	WATERTOWN
1986	3,594	3,562	4,263
1987	4,127	4,588	6,900
1988	4,553	5,046	8,428
1989	4,503	4,373	9,759
1990	4,453	3,739	8,000
1991	3,046	3,768	6,688
1992	6,944	3,279	7,331
1993	6,740	3,068	6,010
1994	6,948	3,451	5,181
1995	5,391	2,611	4,327
1996	2,679	1,033	2,132
1997	2,305	1,168	1,453
1998	4,182	2,026	4,101
1999	2,421 (9 mos.)	1,979 (9 mos.)	4,941 (9 mos.)

**MESA AIRLINES, INC.
ESSENTIAL AIR SERVICE TO BE PROVIDED AT
MASSENA, OGDENSBURG AND WATERTOWN, NEW YORK**

Effective Period: October 1, 1999, through September 30, 2001

Service: Watertown: Three nonstop round trips each weekday and over each weekend period to Pittsburgh

Massena and Ogdensburg: Three round trips each weekday and over each weekend period to Pittsburgh. Of the six segments each service day for each community, up to three may be two-stop. The remaining three segments may be one-stop or nonstop.

Aircraft: Beech 1900 (19 passenger seats)

Timing of Flights: Flights must be well timed and well spaced to ensure full compensation.

Subsidy Rate: Per year - \$1,115,507

Per arrival from or departure to Pittsburgh - \$202.05 ¹

Weekly
Compensation Ceiling: \$21,821.40 ²

¹ Annual compensation of \$1,115,507, divided by the number of arrivals and departures estimated to be performed annually (5,521), calculated by multiplying 18 arrivals and departures each service day by 313 annual service days—counting each weekend as one service day—and multiplying further by 98 percent completion.

² The subsidy rate for each arrival/departure (\$202.05) multiplied by the number of scheduled subsidy-eligible flights per week (108).

Note: The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

Mesa Air Group
Essential Air Service to be Provided at
Massena, Ogdensburg and Watertown, New York
Calculation of Annual Compensation Requirement

Frequency: 3 round trips per service day	Route: PIT-ART-MSS-OGS-ART-PIT
Block Hours: 3,800	RPM's: 6,866,088
Departures: 4,601	ASM's: 14,424,448 ^{1/}

Revenue	Average Fare	Passengers	Revenue
Massena	\$125	8,008	\$1,001,000
Ogdensburg	\$125	3,800	\$475,000
Watertown	\$125	6,600	\$825,000
Freight @ 1% of psgr. revenue			\$23,010
Total		18,408	\$2,324,010

Direct Operating Expenses (Beech 1900)

Flight Operations	\$126.57	Per BH	\$480,966
Fuel & Oil	\$168.63	Per BH	\$640,794
Aircraft Ownership	\$165.70	Per BH	\$629,660
Other	\$13.94	Per BH	\$52,972
Maintenance	\$173.91	Per BH	\$660,858
Total			\$2,465,250

Indirect Operating Expenses

Traffic Related	0.010194	per RPM	\$69,993
Departure Related	115.27	per Dep	\$530,357
Capacity related	0.014221	per ASM	\$205,130
Marketing			\$5,000
Total			\$810,480

Total operating expense	\$3,275,730
Operating loss	\$951,720
Profit element @ 5 percent of total operating expense	\$163,787

Compensation requirement	\$1,115,507
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Subsidy per passenger: \$60.60

1/ ASM's computed as follows:

OGS-MSS: 3 flights x 35 miles x 19 seats x 313 days x .98 =	611,946
MSS-ART: 3 flights x 87 miles x 19 seats x 313 days x .98 =	1,521,124
OGS-ART: 3 flights x 55 miles x 19 seats x 313 days x .98 =	961,630
ART-PIT: 6 flights x 324 miles x 19 seats x 313 days x .98 =	11,329,748
	14,424,448

SERVICE LIST FOR THE STATE OF NEW YORK

Acadia Air, Inc.	Northwest Airlin
Amerijet International, Inc.	Omniflight Helicopter Service, Inc.
Business Express, Inc.	Pennsylvania Aviation, Inc.
Chautauqua Airlines, Inc.	Pennsylvania Commuter Airlines, Inc.
Chester County Aviation, Inc.	Southern Jersey Airways, Inc.
Colgan Air	Spectrum Airlines, Inc.
Columbia Aviation, Inc.	Travelair, Inc.
Corporate Air, Inc.	Valley Air Service, Inc.
Delta Connection	
Executive Airlines, Inc.	
Gull Aviation, Inc.	Chester Anderson
Henson Aviation, Inc.	Ken Bannon
Horizon Air, Inc.	Sabrina Cranor
HubExpress, Inc.	Virgil de la Cruz
Hyannis Air Service, Inc.	E. B. Freeman
Jetstream International Airlines, Inc.	Edward Harahusk
Long Island Airlines	Robert Hart
Metroflight, Inc.	A. Edward Jenner
Midway Airlines, Inc.	John McFarlane
Midwest Express Airlines, Inc.	Eric Nordling
New England Airlines, Inc.	Mark Prange
New York Helicopter Corporation	John Sinisi
Northeast Express Regional Airlines, Inc.	Kevin Thomas